

# COMMENT: BDO 7p MODEL & PRIVATE EQUITY



## SCOTT HENDON

*BDO's Head of the Global Private Equity (PE) industry team outlines the BDO view on which of the 7ps he considers the most relevant to drive success in this industry*

### Are Private Equity companies well-positioned in a post-COVID world?

Before the tumultuous events of 2020, private investors had US\$2.5 trillion in dry powder. Since then, the amount of capital awaiting deployment grew to US\$2.9 trillion.

As detailed in the newest edition of [BDO's Private Capital Pulse Survey](#), private equity firms are preparing to deploy that capital into a changing industry landscape. Key takeaways from the survey among PE professionals include:

- Asset prices are expected to rise
- Taxation of digital assets is a prime area of concern
- ESG has growing importance
- Risk management and digital capabilities are prime deal drivers
- Growth equity will be the core investment strategy.

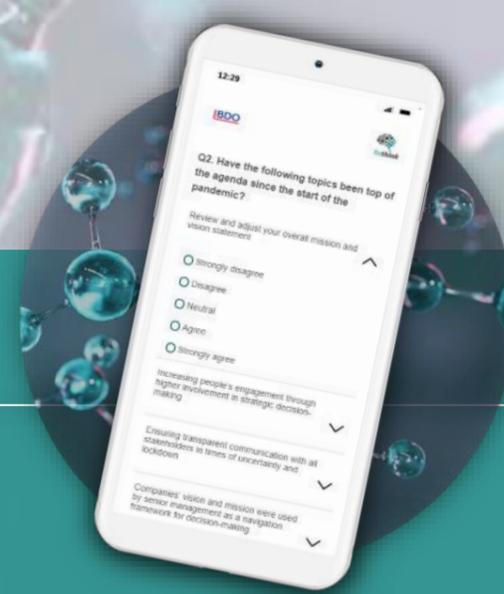
In other words, deal-making, investment metrics, due diligence and investment risks are all evolving.

### The value of benchmarking in charting strategic direction

Creating actionable insights and investment structures while many economic indicators and projections remain in a state of flux is challenging - but not impossible. These efforts can benefit from the industry benchmarks and best practices identified through BDO's [7p model](#). The tool gives companies - among other things - an indication of how things have changed throughout the PE industry.

One thing that remains unchanged is PE's position. PEs proved themselves able to maintain high **Performance** through 2020. Having spent part of the last year retooling and upgrading, as well as supporting and developing portfolio companies, 2021 looks like it may generate record-breaking deal levels.

Deploying capital towards new deals will happen in an environment where 'everything has changed but nothing is different.' By that, I mean that of the 7p model's seven dimensions, **Profit** remains at the heart of PEs' operations. Focus continues to be on creating revenue growth and increased profitability for portfolio companies through a range of different tactics and economic initiatives. However, those structures and tactics - as well as the underlying techniques and technologies - are evolving.



For new deals, a proven ability to navigate the pandemic's effects and improved risk management are pivotally important. The same can be said for target companies' digital capabilities and potential.

Assessing and evaluating a company's growth story via clearly structured data under changing conditions, including fewer in-person meetings, are top-of-mind challenges for PEs when looking at potential targets.

As a result, top-performing PE companies through the last year - and going forward - are those which can rely on People with the proven ability to adapt to changing conditions and develop their professional toolkits.

PE professionals are simultaneously tasked with understanding and reacting to new legislation, such as the OECD's proposed rules for taxing the digital economy. Where new deals are concerned, the ability to negotiate and collaborate simultaneously with a wide range of parties to navigate complex financial and tax issues through digital tools has come to the fore.

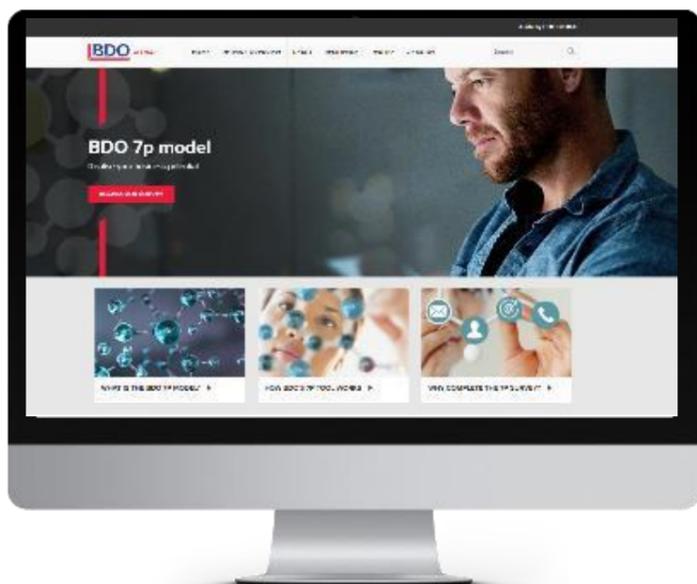


Some of the financial tools deployed include innovative deal structures such as earnouts, deferred consideration and breakaway clauses which counterbalance market uncertainty and COVID-19 concerns.

## HOW CAN BDO HELP

BDO's private equity and venture capital professionals help PEs throughout every stage of the deal and fund lifecycle, from executing pre-deal due diligence to generating value during the holding period and through to exit.

The BDO 7p diagnostic model enables our clients to harness the power of data from our large client base to gain valuable perspective and exchange with their advisers as they set their strategic direction and navigate the ever-changing global business environment.



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